

Cash Payment Journal

Words to Know

- **Cash Payments Journal**
- **List Price**
- **Trade Discount**
- **Cash Discount**
- **Purchases Discount**
- **Contra Account**

Journalizing Cash Payments for Expenses

Record all cash payments by the business in the cash payments journal.

Most cash payments are for:

- 1) Expenses
- 2) Cash Purchases
- 3) Payments to Vendors

All cash payments are recorded in the **Cash Credit Column**.

If the payment does not occur often and is not named in a special amount column, the payment is recorded in the **General Debit and Credit Columns**. If the payment involves a discount or another special amount it is recorded in the **Accounts Payable Debit Column**

JOURNALIZING CASH PAYMENTS FOR EXPENSES

March 1. Paid cash for rent, \$4,000.00. Check No. 214.

Accounts Affected

Rent Expense

Cash

Classification

Expense

Asset

Change

Increased

Decreased

Entered

Debit side

Credit side

Rent Expense	
normal balance	
↑	4,000.00

Cash	
normal balance	
↓	4,000.00

JOURNALIZING CASH PAYMENTS FOR EXPENSES

JOURNAL					
		1		2	
DOC. NO.	POST. REF.	GENERAL			
		DEBIT		CREDIT	

		7		8	
ACCOUNTS PAYABLE					
		DEBIT		CREDIT	

PAGE					
		10		11	
CASH					
		DEBIT		CREDIT	

CASH PAYMENTS JOURNAL															PAGE 5
		1		2		3		4		5					
1	DATE	2	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL				ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT			
						DEBIT		CREDIT							
1	20-- 1 Mar.	1	Rent Expense	214		400000							400000	1	

1. Date
2. Account Title
3. Check Number
4. Debit
5. Credit

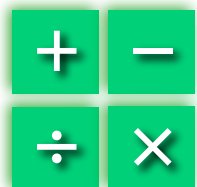
Journalizing Cash Payments for Cash Purchases.

Vendors sell merchandise are listed at a suggested retail price, also known as a **List Price**.

When there is a large quantity purchased, or for other reasons, the price the typically listed as “list price, less trade discount”. This is known as a **Trade Discount**.

In the journal entry, only the actual invoice amount is recorded, the journal does not show the Trade Discount Amount.

CALCULATING A TRADE DISCOUNT



Step 1:

$$\begin{array}{rclclcl} \text{Total List Price} & \times & \text{Trade Discount} & = & \text{Trade Discount} \\ \$1,500.00 & \times & 60\% & = & \$900.00 \end{array}$$

Step 2:

$$\begin{array}{rclclcl} \text{Total List Price} & - & \text{Trade Discount} & = & \text{Invoice Amount} \\ \$1,500.00 & - & \$900.00 & = & \$600.00 \end{array}$$

March 7. Purchased merchandise for cash, \$600.00 (list price \$1,500.00 less 60% trade discount). Check No. 223.

JOURNALIZING CASH PAYMENTS FOR CASH PURCHASES

March 7. Purchase merchandise for cash, \$600.00. Check No. 223.

Accounts Affected

Purchases

Cash

Classification

Cost

Asset

Change

Increased

Decreased

Entered

Debit side

Credit side

Purchases	
normal balance	
↑	600.00

Cash	
normal balance	
	↓ 600.00

JOURNALIZING CASH PAYMENTS FOR CASH PURCHASES

CASH PAYMENTS JOURNAL									
PAGE 5									
DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT	
				DEBIT	CREDIT				
7	Purchases	223		60000				60000	10

1

2

3

4

5

1. Date
2. Account Title
3. Check Number
4. Debit
5. Credit

Journalizing Cash Payments on Account

Typically, a business is required to pay the full invoice amount.

Sometimes, to encourage early payment, the vendor will possibly deduct an amount from the invoice price. This is called a **Cash Discount**.

Ex.) 2/10, n/30 (Two ten, net 30)

Means 2% of the invoice is deducted if the invoice is paid in 10 days. The total invoice must be paid in 30 days.

When a cash discount on purchases is taken by a customer it is called a **Purchases Discount**.

Purchases Discount Recording

Recorded in the General Ledger account titled Purchases Discount.

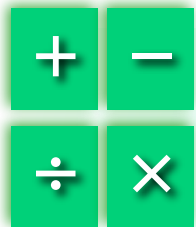
Purchases Discount is referred to as a **Contra Account** because it reduces a related account. A purchases discount, is a contra account to Purchases.

The normal balance for Purchases is a **debit**.
Therefore, the Purchases Discount, is a **credit**.

Cash Discounts are recorded as Purchases Discount because of the reduction the initial invoice amount.

CALCULATING A PURCHASES DISCOUNT

March 9. Paid cash on account to Pro Golf Company, \$7,108.92, covering Purchase Invoice No. 179 for \$7,254.00, less 2% discount, \$145.08. Check No. 224.



Step 1:

**Purchase Invoice
Amount (P179)**

\$7,254.00

×

×

**Discount
Rate**

2%

=

=

**Purchases
Discount**

\$145.08

Step 2:

**Purchase Invoice
Amount (P179)**

\$7,254.00

–

–

**Purchases
Discount**

\$145.08

=

=

**Cash Amount
after Discount**

\$7,108.92

JOURNALIZING CASH PAYMENTS ON ACCOUNT WITH PURCHASES DISCOUNT

March 9. Paid cash on account to Pro Golf Company, \$7,108.92, covering Purchase Invoice No. 179 for \$7,254.00, less 2% discount, \$145.08. Check No. 224.

Accounts Affected

Accounts Payable

Purchases Discount

Cash

Classification

Liability

Contra cost

Asset

Change

Decreased

Increased

Decreased

Entered

Debit side

Credit side

Credit side

Accounts Payable	
normal balance	
↓	7,254.00

Purchases Discount	
	normal balance
↑	145.08

Cash	
normal balance	
↓	7,108.92

JOURNALIZING CASH PAYMENTS ON ACCOUNT WITH PURCHASES DISCOUNT

CASH PAYMENTS JOURNAL											
PAGE 5											
DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT			
				DEBIT	CREDIT						
9	Pro Golf Company	224				7254.00	145.08	7108.92			11
12											12
13											13

1. Date
2. Vendor Name
3. Check Number
4. Purchase Invoice Amount
5. Purchases Discount
6. Purchase Invoice Amount Less the Purchases Discount

Cash Payments without Discounts

If there are no discounts taken, the business is responsible for the full amount of the Purchase Invoice.

Credit Terms: n/30

(Pay the full amount of the purchase within 30 days from purchase.)

JOURNALIZING CASH PAYMENTS ON ACCOUNT WITHOUT PURCHASES DISCOUNTS

March 10. Paid cash on account to Walter Manufacturing, \$2,650.00, covering Purchase Invoice No. 192. Check No. 225.

Accounts Affected	Classification	Change	Entered
Accounts Pay.—Walter Mfg.	Liability	Decreased	Debit side
Cash	Asset	Decreased	Credit side

Accounts Payable—Walter Manufacturing

↓ 2,650.00

normal balance

Cash

↓ 2,650.00

normal balance

JOURNALIZING CASH PAYMENTS ON ACCOUNT WITHOUT PURCHASES DISCOUNTS

CASH PAYMENTS JOURNAL										
PAGE 5										
DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNT CREDIT	CASH CREDIT		
				DEBIT	CREDIT					
10	Walter Manufacturing	225				265000		265000		12
13										13

1. Date
2. Vendor Name
3. Check Number
4. Total Purchase Invoice Amount
5. Total Purchase Invoice Amount